

Current trade scenario of asean countries economics essay



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Introduction:

Current Trade Scenario of ASEAN countries:

For almost 3 decades from the late 1960s, regional integration in the East Asian region was associated

almost exclusively with the initiatives of the Association of Southeast Asian Nations (ASEAN). But, since the 1997 crisis, East Asia is itself moving towards region-wide economic integration to varying degrees. ASEAN and other Asian countries, through their various bilateral free trade agreements (FTAs), are playing pivotal roles in the evolving dynamics of East Asian regionalism. But the real fact is that these new regional initiatives of ASEAN members are driven by market access considerations like the earlier ones, and are underlined by their FDI-led export-driven growth strategy. Given China's central role in driving many of the new bilateral initiatives, it's time for ASEAN countries to understand the actual prospects along with their individual strength and their ability to expand their market access and to be in the leading position among each other's competition to boost economical revolution in ASEAN.

Why?

Geography and Socio political Scenario:

Malaysia has its origins in the Malay Kingdoms present in the area which, from the 18th century, became subject to the British Empire. Almost all Malaysians, thanks to the British rule from 1786 to 1957, speak English. This is a huge plus for attracting businesses from Europe Middle East and other

Asian Countries to set up shop in Malaysia. Now if we can compare the geographically (refer Fig1. 1), Indonesia is the largest area and second is Malaysia, though Indonesia is 5 times larger than that of Malaysia but Indonesia remains a very difficult place to do business. Legal and regulatory uncertainties prevail. As one government official recently stated, the only guarantee for an investor here is that there will be problems, a view supported by the World Bank's recently released "Ease of Doing Business" report. Not only that the overall ranking of Indonesia is 128th and it continues to lag far behind most of its Southeast Asian neighbors. Singapore is in first place globally, Thailand at 18, Malaysia at 12, and Vietnam ranks 99th.

Fig1. 1

So for Malaysia there is a huge opportunity for setting up more Manufacturing & Automobile Hubs. Though Singapore is the No. 1 in all over ranking* but it is practically impossible to set up any new manufacturing factories there & down the line Singapore will have to come up with the strategy to accommodate more business in its growth journey. This factor is one of the biggest advantages for Malaysia and it have to use this factor as strategy to excel its ranking. Malaysia is the first country in the world to expand upon private-public sector collaboration structured on the concept of pursuing "growth with equity", and expressed through Malaysia Incorporated. It clearly shows how Malaysian government is keen on growth of future Business in Malaysia.

Economical Strength and future perusal to remain in Top:

To be on the top economically and to compete with Singapore in ASEAN region The National Economic Advisory Council (NEAC) was set up by the P. M. of Malaysia in May 2009 with a mandate to formulate a New Economic Model (NEM) that will transform Malaysia into a high income economy by 2020. So this vision clearly indicates and comply that Malaysia wants to be in the top in coming 5 years of growth Journey. Other Countries such as Indonesian government set an ambitious goal to become an advanced economy by 2025 it clearly shows the competition is apparent & visible that Malaysian aggressiveness is getting high with reduced timelines. Below figure shows how strong the strategy for Industrial & human growth.

Fig1. 2

UNCTAD's FDI Attraction and Contribution Indices show of 2011(refer table below) shows Malaysia tops with other ASEAN countries excluding Singapore.

Other than these the FDI inflow of Malaysia was highest at the end of the recession that is post 2009 the percentage increase was approx 536% compare to Singapore which is having an increase of 152% also FDI outflow of Malaysia was highest with the percentage of 68% as compare to that of Philippines which came second with the increase of 35% approx. This trend shows that Malaysia remains in top in terms of FDI and it is going to be the most attractive destination for rest of the world.

Malaysia is the world's 59th freest economy, freer than Indonesia (114), the Philippines (109), Thailand (66) and Vietnam (144).

Inflation Rate of Malaysia was gradually decreased from Jan 2012 to Jan 2013 (refer below figures) on the other hand the major concern with Singapore is the rising inflation rate the current inflation of Singapore is 4.3 which was 5.2 last year. For government to be profitable the inflation rate needs to be controlled and lowered down otherwise it will go on to impact the overall economy of the country in spite of good inflow business so as per the statistics Malaysia controlled its inflation rate to as low as 1.3 which is again a very competitive achievement across ASEAN cloud.

Business Offerings & Opportunities:

Total Business is divided into 2 major groups:

Service Sector & Manufacturing Sector. Almost all the ASEAN countries offer some of the below business offerings however it's only Malaysia which provides all the below business offerings which is very diversified compared to all other ASEAN countries

Service Sector:

Communication, Construction & related engineering Distribution Education Environment Financial Services health related Tourism & Travel related Recreational, Cultural & Sporting Services Transport

Manufacturing Sector:

Chemical, Wood-based Metals, Oil Palm-based, Rubber Products, Food Processing, Transport Equipment, Cement, Machinery & Equipment, Textiles & Apparel, Electrical & Electronics

The most important factor as why Malaysia will be the next biggest destination it is because of the Malaysia's rich natural resources

RENEWABLE NATURAL RESOURES

Palm oil: Palm oil may not sound like a very important natural resource, but it is the primary cooking oil used in Asia. And Malaysia is the largest exporter of palm oil in the world. Plus, clever Malaysian scientists are developing efficient ways of converting palm oil into ethanol. Boustead Holdings (2711. KL) operates 286, 000 acres of palm oil trees.

Rubber: I have written many times about the booming automobile sales in China. So you need to ask who provides all those tires for all those new cars? Instead of investing in tire companies, like Goodyear or Cooper Tire, you could invest in companies that produce rubber. Malaysia is the third largest rubber producer in the world (Thailand is number one and Indonesia is number two) and Kossan Rubber Industries (7153. KL) has the wind at its back.

Timber: Thanks to its tropical climate and abundant rainfall, Malaysia is COVERED with trees. A lot of those trees – teak, sandalwood, ebony, and ironwood – can be turned into valuable lumber products. Jaya Tiasa Holdings (4383. KL) is one of Malaysia's top timber producers.

NON-RENEWABLE -NATURAL RESOURCES

Oil: Malaysia is blessed with massive deposits of oil and is one of the largest non-OPEC oil exporters in the world. Malaysia's state-owned energy giant,

Petronas Gas Berhad (6033. KL), is so profitable that its royalties provided 44% of the government's total revenues last year.

Tin: Of the six basic principal base metals – tin, copper, iron, lead, zinc, and lead – tin increased the most last year rising by 59% to as much as \$27, 500 per metric ton. It is expected to hit \$40, 000 on growing demand within the next five years. And Malaysian Smelting Group (5916. KL), the largest tin producer in Malaysia, could be a big winner.

So based on above Business profile it is nearly impossible to beat Malaysia in terms of Business offerings

As per Doing Business Report 2012 On an average, it takes 47 days to start a new business in Indonesia, versus 36 days in the Philippines, 34 days in Vietnam, 29 days in Thailand, 6 days in Malaysia and just 3 days in Singapore. So there is not much difference in terms of days between Malaysia and Singapore the way Malaysian government is implementing their policies surely they will significantly reduce the no of days to start business and surpass Singapore.

Conclusion: